

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

JULY 2, 1999

IN RE:)	
)	DOCKET NO.
MCI TELECOMMUNICATIONS CORPORATION)	99-00318
TARIFF TO MAKE VARIOUS RATE CHANGES)	
)	

**ORDER DENYING MCI TELECOMMUNICATIONS CORPORATION'S TARIFF
TO MAKE VARIOUS RATE CHANGES**

This matter came before the Tennessee Regulatory Authority ("Authority") at the regularly scheduled Authority Conference held June 22, 1999, for consideration of Tariff 99-00318 (the "Tariff") filed by Petitioner, MCI Telecommunications Corporation ("MCI"). MCI filed the Tariff with the Authority on April 29, 1999, with a proposed effective date of May 29, 1999, to increase long distance rates in response to switched access rate adjustments made by local exchange companies (the "LECs"). The LECs increased switched access rates effective January 1, 1999, pursuant to the annual Megacom tariff filings¹ and to recover the interexchange carrier ("IXC") portion of costs for operating the Tennessee Relay Center.² As a duly certified IXC operating in Tennessee, MCI is allowed to recoup increases in switched access costs through adjustments to its long distance rates. Authority Rule 1220-4-2-.55(2) (the "IXC Rule") provides in part that "[t]he DDD [direct

¹ Pursuant to the Megacom Order in Tennessee Public Service Commission Docket U-87-7492, LECs are required to make certain annual adjustments to the Carrier Common Line (CCL) rate, a component of access service.

² The IXCs' portion of costs for operating the Tennessee Relay Center is recovered through a rate additive to the LECs' terminating CCL rate. Effective January 1, 1999, the rate increased from \$.00179 per minute to \$.00275 per minute.

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distance dialing] prices and price cap shall be adjusted to reflect any changes in access charges to IXCs.”³

On May 11, 1999, MCI filed a letter with the Authority requesting to extend the proposed effective date of the Tariff from May 29, 1999, to June 2, 1999. On June 1, 1999, MCI filed a letter with the Authority requesting to further extend the proposed effective date of the Tariff from June 2, 1999, to June 23, 1999.

According to information filed by MCI in this matter, MCI’s switched access costs increased \$190,000 per annum for all service categories as a result of the LECs’ January 1, 1999, access rate adjustments. In accordance with the IXC Rule, MCI is allowed to recover a portion of the access charge increase through DDD service rates and the remainder through the All Other Services category (i.e., non-DDD rates). The Tariff proposes to recover \$169,000 of the \$190,000 per annum access charge increase (or 89 percent) through rates for DDD services; however, MCI did not file with the Authority any documentation for apportioning the total recovery of the access charge increase between the DDD and the All Other Services categories. The Tariff further proposes to restructure DDD rates. In order to achieve the \$169,000 per annum increase to the DDD service category, the Tariff seeks to increase certain DDD service rates by \$219,000 and to decrease certain other DDD service rates by an offsetting \$50,000.

The IXC Rule provides in part:

The amount of any access charge change for the DDD service category for each IXC shall be the per minute reduction based on total intrastate minutes of use applied to the intrastate minutes of use in the DDD category for each IXC. The minutes of use shall be those reported in the most recent annual reports under sub-section (2)(i)(6) of this rule.⁴

³ See *Rule 1220-4-2-.55(2)(d)(3)*.

⁴ *Id.*

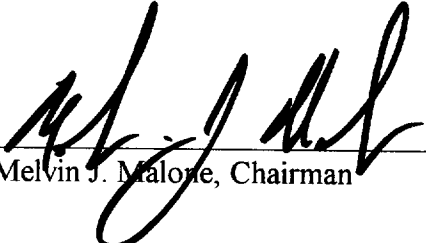
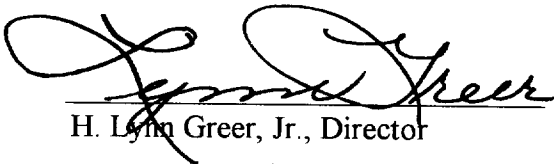
Thus, pursuant to the IXC Rule, the amount of any access charge adjustment apportioned to the DDD service category shall be based on intrastate minutes of use in the DDD category as filed in the most recent annual report. MCI's most recent annual report filed with the Authority, however, does not separate minutes of use into DDD and non-DDD categories. Moreover, the IXC Rule contemplates that DDD rate changes will be implemented on a per minute basis and does not authorize rate restructuring as a means of adjusting DDD rates to reflect related changes in access charges. The Authority finds that the Tariff fails to adhere to the aforementioned provisions of the IXC Rule.

After considering the record in this matter, the Directors unanimously voted to deny the Tariff on the ground that MCI failed to demonstrate that the Tariff complies with the IXC Rule. Should MCI decide to re-file a tariff to recover for the LECs' January 1, 1999, switched access rate adjustments, the Directors instruct MCI to present documentation for the amount of any flow through to the DDD service category consistent with the provisions of the IXC Rule. The Directors further instruct MCI that any proposed DDD rate increase should be made without restructuring DDD rates.

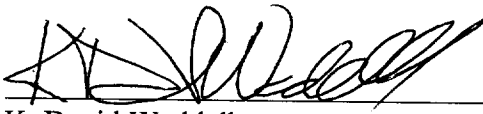
IT IS THEREFORE ORDERED THAT:

1. Tariff 99-00318 as filed by MCI Telecommunications Corporation on April 29, 1999, is denied.

2. MCI Telecommunications Corporation shall either re-file or amend its annual report(s) to separate minutes of use into DDD and non-DDD service categories.


Melvin J. Malone, Chairman
H. Lynn Greer, Jr., Director
Sara Kyle, Director

ATTEST:


K. David Waddell,
Executive Secretary